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No. 99-502

In The

# Supreme Court of the United States

DONALD E. NELSON,

*Petitioner,*

v.

ADAMS USA, INC. and
APEHEAD MANUFACTURING, INC.,

*Respondents.*

**On Writ Of Certiorari**
**To The United States Court Of Appeals**
**For The Federal Circuit**

## REPLY BRIEF OF PETITIONER

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## STATEMENT OF THE CASE

Before addressing the merits of respondents' arguments, petitioner must first address some misstatements contained in respondents' "Counterstatement of the Case." In their "Counterstatement of the Case," as well as in their "Argument," respondents allege that: (1) there is "clear evidence" of privity and/or a "unity of interest" between petitioner and the plaintiff, Ohio Cellular Products Corporation; and (2) at all times, petitioner "controlled the litigation" on behalf of Ohio Cellular. Brief of Respondents at 2, 3, 10, 23. Other than quoting the clearly erroneous findings of the district court and the Federal Circuit court on this issue, respondents have failed to indicate where in the record before this Court there is any evidence, much less any "clear evidence," that supports such ill-founded conclusions. If anything, the record supports just the opposite. Petitioner was personally excluded from much of the discovery process, and counsel for his defunct corporation acted ***not in his interest***, but rather in the interest of the patent holder and original third party defendant to the lawsuit, All American Sports Corporation. Because the evidence in the record shows that Ohio Cellular did not fully represent the interests of petitioner, there is no basis to respondents' allegations of "privity" and "unity of interest."

Next, quoting ***out-of-context*** from the Petition for Rehearing that petitioner's prior counsel filed with the Federal Circuit, respondents inaccurately write that petitioner "stated he was not challenging the finding he committed the inequitable conduct." Brief of Respondents at 5-6. To the contrary, petitioner's counsel wrote in the cited text, "[T]he panel majority is wrong as a matter of fact when it stated that it is undisputed that Donald Nelson personally committed the acts of inequitable conduct which were the basis for the fee award." Petition for Rehearing and Suggestion for Rehearing in [sic] Banc of Appellant Donald E. Nelson at 2, n. 1; *see also*, Corrected Brief on Appeal of Appellants, Ohio Cellular Products &

Donald E. Nelson[1] at 5, n. 1. Thus, no question exists that, contrary to respondents' mischaracterizations, it has been petitioner's position all along that there is no basis to the charges of inequitable conduct against him. Respondents' assertions aside, petitioner does not here attempt "to revive" the issue of inequitable conduct. Rather, he has challenged the finding all along.

Indeed, although respondents still contend that petitioner "committed fraud on the PTO," Brief of Respondents at 10-18, a close examination of the portions of the record they cite as a basis for this allegation reveals that their contention is entirely lacking in support. For example, citing the Joint Appendix at pages 110-20, respondents assert at page 8 of their Brief, "Nelson then actively misled the PTO concerning Lammy's [petitioner's co-inventor] refusal to sign the declaration, referring the PTO to irrelevant Marc patents rather than the Marc 037 patent disclosing the Marc/Foam Aid process." Contrary to respondents' mischaracterization of the record, pages 110-20 of the Joint Appendix reveal only that petitioner neglected to disclose the Marc 037 patent to the PTO and instead (because of the mistake of his patent attorney) disclosed three other Marc patents – facts that petitioner has conceded. *See*, Brief of Petitioner at 8-9. What pages 110-20 of the Joint Appendix do ***not*** establish, however, is respondents' ill-founded contention that "Nelson actively misled the PTO concerning Lammy's refusal to sign the declaration." Indeed, how could petitioner conceivably have misled the PTO about Lammy's refusal to sign when he submitted to the PTO the letter of Lammy's attorney explaining Lammy's reasons for not signing the declaration? J.A. at 204-07. Contrary to the claims of respondents, petitioner did ***not*** mislead the PTO but rather fully advised it that Lammy was refusing to sign the first

---

[1] Hereinafter referred to as "Brief on Appeal of Appellants."



inventor declaration because Lammy believed that he and petitioner were not the first inventors. J.A. 201-07.

As noted above, petitioner concedes that he did not disclose the Marc 037 Patent to the PTO. However, to make their case of "fraud on the PTO," respondents take this innocent non-disclosure (caused by the omission of petitioner's patent attorney) a step further by claiming that petitioner not only did not disclose the Marc 037 Patent, but also did not disclose the Foam Aid process that the Marc 037 Patent supposedly covered – a claim that flies in the face of the PTO's records themselves. J.A. 201-09. To make this leap, respondents quote, again out-of-context, petitioner's testimony at the May 6, 1997 reconsideration hearing. *See*, Brief of Respondents at 9. The ***full*** text of the testimony is as follows:

> Q. Regardless of when you had the '037 patent, you did know about the process prior to filing your patent application.
>
> A. I knew about the FoamAid process, yes.
>
> Q. But you never disclosed ***it*** to the Patent and Trademark Office?
>
> A. No.

J.A. at 187-88 [emphasis added].

The last question is ambiguous because it is unclear whether "it" refers to the Marc 037 patent (which petitioner has conceded he did not disclose) or the Foam Aid process, which the PTO's own records conclusively prove that petitioner did disclose. Certainly, respondents should be able to point to more clear and convincing evidence of "fraud on the PTO" than the answer to an ambiguous question that they have taken out of context, especially when the PTO's records prove that, contrary to respondents' unsupported allegation, petitioner made full disclosure of the Foam Aid process.

## ARGUMENT

### I. ONLY THE PARTY LEGALLY RESPONSIBLE FOR RELIEF ON THE MERITS IS LIABLE TO PAY AN AWARD OF ATTORNEYS' FEES UNDER 35 U.S.C. § 285.

The statute at issue in the instant case, 35 U.S.C. § 285, provides that the district court "in exceptional cases may award reasonable attorney fees to the prevailing party." Respondents spend the greater portion of Part I of their Brief discussing the legal principle that "inequitable conduct" before the PTO can form the basis of a determination that the case is an exceptional case. However, whether "inequitable conduct" creates an "exceptional case" is ***not*** the issue before this Court. Rather, the issue before this Court is whether respondents were "prevailing parties." Thus, the case authority cited by respondents at pages 10 through 18 of their Brief is irrelevant to the case at bar because those cases stand only for the proposition that a finding of inequitable conduct can form the basis of a determination that the case is an "exceptional case," a proposition that, for the purpose of this appeal, petitioner does not dispute.

However, although respondents may have established that this case is an "exceptional case," there is a second prong that they must meet before they can recover attorneys' fees under 35 U.S.C. § 285 – they must also establish that they were "prevailing parties." This Court previously has held that "at a minimum, to be considered a prevailing party," the plaintiff must: (1) "be able to point to a resolution of the dispute which changes the legal relationship between itself and the defendant," *Texas Teachers Association v. Garland School District*, 489 U.S. 782, 792 (1989); and (2) be "entitled to enforce a judgment, consent decree, or settlement against the defendant," *Farrar v. Hobby*, 506 U.S. 103, 113 (1992). In their Brief, respondents have failed to indicate, how, in the underlying infringement action, they altered their legal relationship with petitioner (a relationship which



did not exist in the first place) and have failed to point to any enforceable judgment decree or settlement that they obtained against him. Their failure to do such clearly indicates that they were not "prevailing parties" and therefore, were not entitled to an award of attorneys' fees against petitioner.

In each one of the cases relied upon by respondents in Part I of their Brief, the court, unlike the district court in the instant case, assessed fees against a person: (1) who had been a party to the underlying infringement action; and (2) against whom the party entitled to fees had prevailed. *See, e.g., A.B. Chance Co. v. RTE Corp.*, 854 F.2d 1307, 1312 (Fed. Cir. 1988) (in which the district court assessed attorneys' fees against the "***losing party***"); and *Machinery Corp. of America v. Gullfiber*, 774 F.2d 467, 471 (Fed. Cir. 1985), *quoting, Park-in Theatres, Inc. v. Perkins*, 190 F.2d 137, 142 (9th Cir. 1951) (holding that for there to be an award of attorneys' fees under 35 U.S.C. § 285 there must be "a finding of unfairness or bad faith in the conduct of the ***losing party***"). Because petitioner neither had been a party to the underlying infringement action, nor had been prevailed against in that action, the case law relied upon by respondents in Part I of their Brief is inapposite.

Indeed, the Federal Circuit in *Machinery Corp.* clearly rejected the position that respondents have taken on this appeal. In *Machinery Corp.*, the district court had assessed attorneys' fees against an officer/agent of the patent holder, who, unlike petitioner in the instant case, was "also a named defendant in this action." *Machinery Corp.*, 774 F.2d at 469. Despite the fact that the patent holder's agent, as an original party, had been prevailed against on the underlying merits, the court of appeals reversed an award of attorneys' fees against him under 35 U.S.C. § 285. On remand the court directed that the agent:

> May be assessed fees individually only if the district court finds that MCA [the prevailing party] has proved by clear and convincing evidence that his actions were in fact tortious or

> ***were undertaken in a personal capacity and not as agent of GINT*** [the patent holder].

*Id.*, at 475 [emphasis added].

Respondents in their brief before the Federal Circuit, and in their Brief before this Court have argued that petitioner was acting "on behalf of" Ohio Cellular. Brief of Respondents at 19. There being no evidence that petitioner was acting in a capacity other than as president of Ohio Cellular, there is no basis, under *Machinery Corp.*, to hold him ***individually*** liable for fees. Because the court made clear in *Machinery Corp.* that to be liable for attorneys' fees, the individual must be prevailed against on the underlying merits ***and*** to have acted on his own individual behalf, there is no basis for sustaining the award of attorneys' fees in the instant case. Accordingly, the decisions of the district court and the Federal Circuit Court of Appeals should be reversed.

Next, respondents summarily dismiss petitioner's reliance upon case law from this Court addressing the issue of who is a "prevailing party" for an award of attorneys' fees for a civil rights violation under 42 U.S.C. § 1988. In dismissing this issue, respondents simply ignore the fact that the two fee award statutes at issue have similar goals. As respondents correctly note at page 16 of their Brief, an award of fees under 35 U.S.C. § 285 recognizes that "[t]he party who succeeds in invalidating the unlawful patent performs a valuable public service." This goal is similar, if not identical to, the goal of 42 U.S.C. § 1988 which is to award fees to a plaintiff who "acts as a 'private attorney general' * * * to advance the public interest." *See, Newman v. Piggie Park Enterprises, Inc.*, 390 U.S. 400, 402 (1968), quoted at page 18 of the Brief of Respondents. Given the fact that both 35 U.S.C. § 285 and 42 U.S.C. § 1988 have similar goals, and utilize ***identical language*** – "prevailing party" – case law interpreting the term, "prevailing party" under 42 U.S.C. § 1988, is clearly helpful in determining who is a "prevailing party" under 35 U.S.C. § 285. Indeed, the fact that Congress utilized ***identical language*** in its enactment of



both fee statutes evidences a clear intent on its part that the concept of "prevailing party" have uniform application in both patent infringement and civil rights litigation. No question exists that "prevailing party" status is a threshold requirement for an award of attorneys' fees in patent infringement litigation, *Machinery Corp.*, 774 F.2d at 470, as it is a threshold requirement for an award of fees in civil rights litigation, *Texas Teachers Association*, 489 U.S. at 789. Inasmuch as respondents have failed to establish that they were "prevailing parties" with respect to petitioner, they are not entitled, under 35 U.S.C. § 285, to an award of attorneys' fees, and the decisions of the district court and the Federal Circuit should be reversed.

Finally, citing *Hoover Group, Inc. v. Custom Metalcraft, Inc.*, 84 F.3d 1408 (Fed. Cir. 1996), *Hughes v. Novi American, Inc.*, 724 F.2d 122 (Fed. Cir. 1984) and *Orthokinetics, Inc. v. Safety Travel Chairs, Inc.*, 806 F.2d 1565 (Fed. Cir. 1986), respondents argue that petitioner can be held liable for fees under traditional tort concepts of vicarious liability. Petitioner previously has dealt with the *Orthokinetics* case, which is of no assistance to respondents. *See*, Brief of Petitioner at 32. In the *Hughes* case, which is the only one of respondents' three cited "vicarious liability" cases that dealt with an award of attorneys' fees under 35 U.S.C. § 285, the Federal Circuit held that a named plaintiff to the original complaint, against whom the defendant had prevailed, was liable for attorneys' fees. Because there was no question in *Hughes* that the defendant was a prevailing party over the named plaintiff who was liable for those fees, the *Hughes* decision does not support respondents' claim that they are prevailing parties with respect to petitioner who was ***not*** a named party to the original proceedings.

Finally, the last of respondents' cited cases on the issue of vicarious liability, *Hoover Group*, which also addressed the liability of a party named in the original complaint, requires reversal of the instant case. In *Hoover Group*, the district court had held a corporate officer personally liable for damages caused by his corporation's

infringement of a patent. The Federal Circuit Court of Appeals reversed. Judge Newman wrote the decision and noted, "The policy considerations that underlie the corporate structure yield to personal liability for corporate acts ***only in limited circumstances.***" *Hoover Group*, 84 F.3d at 1411 [emphasis added]. Judge Newman then explained that in general, a corporate officer was personally liable for his tortious acts just as any other individual would be liable. She then added:

> However, this liability has been qualified in extensive jurisprudence by the distinction between commercial torts committed in the course of the officer's employment and other culpable wrongful acts.
>
> Thus when a person in a control position causes the corporation to commit a civil wrong, imposition of personal liability requires consideration of the nature of the wrong, the culpability of the act, and whether the person acted in his/her personal interest or that of the corporation. * * *
>
> For example, corporate officers * * * have been held not to be personally liable for commercial torts * * * if they were acting in the corporation's interest.

*Id.*, at 1411.

Judge Newman then concluded that because the officer/sole shareholder in *Hoover Group* was acting on behalf of his corporation and in furtherance of its commercial interests, there could be no personal liability on his part. *Id.*, at 1412. Similarly, respondents concede that petitioner in committing the alleged inequitable conduct before the PTO was acting on behalf of his corporation on, what can only be considered as, a commercial matter. Accordingly, under *Hoover Group*, the judgment of the district court against petitioner must be reversed.



## II. BY RENDERING JUDGMENT AGAINST PETITIONER WITHOUT NOTICE AND WITHOUT AFFORDING HIM THE OPPORTUNITY TO DEFEEND AGAINST HIS LIABLITY ON THE MERITS, THE DISTRICT COURT DEPRIVED PETITIONER OF THE RIGHTS SECURED TO HIM BY THE FIFTH AMENDMENT TO THE UNITED STATES CONSTITUTION.

### A. The doctrine of collateral estoppel, raised by respondents for the first time on appeal, does not preclude petitioner from litigating his liability for alleged inequitable conduct.

Respondents in Part II of their Brief argue that even if this court were to reverse this case and remand it to the district court, the doctrine of collateral estoppel would preclude petitioner from contesting his liability for inequitable conduct. It should first be pointed out that this argument applies only if a remand is necessary. Because, as noted in Part I, a fee award against a non-party is not statutorily authorized, there is no need to remand. In any event, respondents' collateral estoppel argument simply ignores this Court's holding in *Zenith Corp. v. Hazeltine*, 395 U.S. 100 (1969). In *Zenith Corp.*, a case which is factually on point with the instant case, this Court rejected respondents' collateral estoppel/res judicata argument when it held that collateral estoppel and res judicata were issues that a corporation's owner had the right to litigate on the merits before it could be liable for a judgment rendered against the corporation. *Zenith Corp.*, 395 U.S. at 111.

As respondents point out, under *Montana v. United States*, 440 U.S. 147 (1979), collateral estoppel applies to those persons who were in privity with the parties to the "prior litigation" including those persons who actually directed and exercised control over the prior litigation. However, this Court made clear in *Zenith Corp.* that the privity and control-over-litigation issues must first be litigated before a non-party can be bound to a prior

judgment. *Zenith Corp.*, 395 U.S. at 111. In the instant case, by proceeding directly to judgment against petitioner and by not taking any evidence upon the collateral estoppel issue (an issue upon which respondents had the burden of proof[2]), the district court completely foreclosed petitioner from presenting evidence that he did ***not*** direct and control the litigation. Yet, despite the fact that petitioner was wrongfully precluded from contesting the "control-over-litigation" issue, there is nonetheless no evidence in the record to support a finding that petitioner had such control over it that judgment could be rendered against him. *Montana*, 440 U.S. at 155. In fact, what little evidence there is shows that petitioner, who was excluded by court order from substantial portions of the litigation, could ***not*** control the litigation but rather was forced to depend on Ohio Cellular's attorneys to conduct it. In addition, the record shows that the interests of the defunct Ohio Cellular and petitioner were not identical and for that reason, petitioner was not "fully represented" in the action such that he could be precluded from litigating his liability. *See, Mothers Restaurant, Inc. v. Mama's Pizza, Inc.*, 723 F.2d 1566, 1569 (Fed. Cir. 1983).

Ironically, respondents, after complaining about petitioner's alleged failure to raise issues in the courts below, raised the issue of collateral estoppel for the first time on appeal, never having argued it or pled it in the district court. In *Blonder-Tongue v. University Foundation*, 402 U.S. 313, 350 (1971) this Court held:

> Res judicata and collateral estoppel are affirmative defenses that must be pleaded. * * * The purpose of such pleading is to give the opposing party notice of the plea of estoppel and a chance to argue, if he can, why the imposition of an estoppel would be inappropriate. * * *

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[2] *Blonder-Tongue v. University Foundation*, 402 U.S. 313, 351 (1971).



> [P]etitioner did not plead estoppel and respondents never had an opportunity to challenge the appropriateness of such a plea * * * . Petitioner should be allowed to amend its pleadings in the District Court to assert a plea of estoppel. Respondents must then be permitted to amend their pleadings, and ***to supplement the record with any evidence showing why an estoppel should not be imposed in this case***. [Emphasis added].

If this court should find that attorneys' fees against a non-party are statutorily authorized, then it must remand this case for a determination of the collateral estoppel issue, an issue that was never litigated in the district court because of its rush to judgment. At a minimum, petitioner is entitled, as were the respondents in *Blonder-Tongue*, to defend against the instant respondents' recently asserted claim that under the doctrine of collateral estoppel, he is liable for attorneys' fees. Just as in *Blonder-Tongue*, because respondents did not raise the collateral estoppel issue in the district court, petitioner is entitled to "supplement the record with any evidence showing why an estoppel should not be imposed." Accordingly the decisions of the district court and the federal circuit should be reversed.

Moreover, this Court's decision in *Montana* is of no assistance to respondents. In *Montana*, unlike the instant case, this Court had before it a factual record (in the form of a series of stipulations) that clearly indicated that the "collaterally estopped" party, the United States Government, had directed, financed, controlled and appeared in the prior litigation for its own financial interest. With an actual record in front of it, this Court set forth a three-part test to determine whether a non-party should be precluded by the doctrine of collateral estoppel:

> First, whether the issues presented by this litigation are in substance the same as those resolved against the United States in [the prior litigation];

> second, whether controlling facts or legal principles have changed significantly since the state court judgment; and finally, ***whether other special circumstances warrant an exception to the normal rules of preclusion.***

*Montana*, 440 U.S. at 155 [emphasis added].

Respondents have failed to indicate where in the record there is evidence that shows that it was petitioner who directed and controlled the litigation as opposed to the patent owner, All American Sports. More importantly, respondents have failed to indicate where in the record one can find that the district court made the three determinations that this Court found in *Montana* were necessary to invoke the collateral estoppel doctrine. At a minimum, under this Court's holdings in *Montana* and *Zenith Corp.*, petitioner is entitled to present evidence that there exist "special circumstances [that] warrant an exception to the normal rules of preclusion." *Montana*, 440 U.S. at 155. Because there is no evidence in the record supporting respondents' claim of collateral estoppel, a claim that it did not raise in the district court, petitioner is entitled to have the judgment against him reversed.

Finally, respondents rely upon a series of other collateral estoppel cases in Part II of their Brief. However, in each one of those cases, the party that was collaterally estopped had the opportunity, unlike petitioner in the instant case, to actually litigate the collateral estoppel issue. Specifically, the record in those cases contained evidence that the collaterally estopped party "had been fully represented in the prior action and * * * had a full and fair chance to litigate the issues to be precluded." *A. Stucki Co. v. Schwam*, 634 F.Supp. 259 (E.D. Pa. 1986); *Mothers Restaurant*, 723 F.2d at 1569. Given the fact that what little evidence there is in the record before this court indicates that Ohio Cellular's counsel represented the interests of All American Sports to the detriment of petitioner, he is not collaterally estopped from challenging the finding of inequitable conduct, a finding which, as noted above, finds no support in the record. Therefore,



according to the case authority cited by respondents, the decisions of the district court and the Federal Circuit should be reversed.

### B. Because the district court never provided petitioner with the opportunity to be heard, he was not afforded due process.

Respondents in Part III of their Brief argue that because petitioner had notice of the proceedings, he was afforded due process. This argument, however, ignores the second prong to due process – the opportunity to be heard. *Mullane v. Central Hanover Bank & Trust Co.*, 339 U.S. 306 (1950). The record before this court ***conclusively proves*** that petitioner never was afforded the opportunity to be heard on his personal liability ***prior to*** judgment. Because mere notice is not sufficient to satisfy due process, *Omni Capital International v. Rudolf Wolff & Co.*, 484 U.S. 97 (1987), the failure of the district court to afford petitioner any opportunity to be heard, ***prior to judgment***, mandates reversal of that judgment.

Indeed, the record is so conclusive as to the district court's violation of petitioner's due process rights, that respondents, in their defense of this due process violation, must resort to a clearly extraneous and inadvertent statement that petitioner's then newly-retained counsel made in his Federal Circuit brief. Petitioner's counsel therein mistakenly wrote: "Over the objections of Donald Nelson [petitioner], the lower court granted the defendants' motion thereby subjecting Donald Nelson to liability for the attorney fees and costs * * * ." Brief on Appeal of Appellants at 5-6. Taken in its context, it is evident that petitioner's former counsel intended to write "over the objections of Ohio Cellular" inasmuch as it was Ohio Cellular, not petitioner Donald Nelson, who formally objected to respondents' motion to join petitioner. J.A. at 29. In any event, petitioner, as any person would, obviously "objected" to having judgment rendered against him. Yet, although he may have "objected," he

unfortunately never was afforded the opportunity, ***prior to judgment***, to: (1) formally and properly present his objections by brief or motion; (2) appear and contest his personal liability; and (3) present evidence on the issue. Petitioner's personal objections aside, because there was a total failure to afford him the opportunity to make a ***proper*** objection and to present a ***meaningful*** defense to his personal liability ***prior to*** judgment, there is no basis for respondents to claim at page 29 of their Brief, that petitioner "was 'heard.' " There having been no meaningful opportunity for petitioner to be heard prior to judgment, the judgment against him must be reversed.

Finally, respondents' reliance upon *American Surety Co. v. Baldwin*, 287 U.S. 156 (1932), is misplaced because the defendant in American Surety was a surety on a supersedeas bond who had consented to judgment being rendered against it and had then failed to avail itself of an existing remedy by which it could challenge the judgment. In the instant case, there was no such consent, and no means by which petitioner could challenge the judgment other than by this appeal and the motion that he unsuccessfully presented under Fed. R. Civ. P. 60(b)(4). There being nothing in the record to indicate that petitioner was afforded the opportunity to be heard on his personal liability for attorneys' fees, the decisions of the district court and the Federal Circuit must be reversed.

## III. BEFORE ENTERING JUDGMENT AGAINST AN INDIVIDUAL, A DISTRICT COURT MUST HAVE JURISDICTION OVER THAT INDIVIDUAL'S PERSON EITHER BY (1) VALID SERVICE OF PROCESS OR (2) WAIVER OF PERSONAL JURISDICTION BY THE INDIVIDUAL'S FAILURE TO INCLUDE THE LACK OF PERSONAL JURISDICTION AS A DEFENSE IN A RESPONSIVE PLEADING OR MOTION REQUIRED BY FED. R. CIV. P. 12.



### A. Petitioner, who never was afforded the opportunity to make a first defensive move, did not waive the defense of lack of jurisdiction over his person.

As petitioner suspected, respondents argue in Part IV(A) of their Brief that he waived the defense that the district court lacked jurisdiction over his person. Anticipating that argument, petitioner already has addressed it at pages 47-49 of his merit Brief, and will only briefly respond to it here. First, in support of their "waiver" argument, respondents rely upon this Court's decision in *Baldwin v. Traveling Men's Association*, 283 U.S. 522 (1931). In *Baldwin*, this Court dealt with a collateral attack on a court's jurisdiction that had been instituted by a party (1) who had appeared in the prior action and (2) against whom the personal jurisdiction issue had been adversely determined. This Court concluded that, under the doctrine of res judicata, once a party has had a full and fair opportunity, ***prior to judgment***, to contest and litigate the court's jurisdiction over his person, he is foreclosed from relitigating the jurisdictional issue in a separate proceeding. Unlike *Baldwin*, the instant case does not involve a collateral attack to which the doctrine of res judicata would apply, but rather involves a direct attack, by way of appeal, upon the district court's power to render judgment against petitioner. Because of the respondents and the district court's rush to judgment against petitioner, he never was afforded the opportunity, ***prior to*** judgment, to contest the court's jurisdiction over his person. Absent a full and fair opportunity for petitioner to contest the court's jurisdiction ***prior to*** judgment, there is no basis to argue that he waived the issue on appeal.

As petitioner previously noted in his merit Brief, Fed. R. Civ. P. 12(h) governs the waiver of the defense of lack of personal jurisdiction. It provides, "A defense of lack of jurisdiction over the person * * * is waived if it is neither made by motion under this rule nor included in a responsive pleading." Thus, Rule 12(h) clearly anticipates that

for there to be a waiver of the defense, there must first be the opportunity to assert the defense under the rule. As the court in *Silva v. City of Madison*, 69 F.3d 1368, 1376 (7th Cir. 1995), noted, "A responsive pleading is the defendant's opportunity to state his objections to jurisdiction or to state his substantive position."

In the instant case the "opportunity to state his objections to jurisdiction" never materialized for petitioner inasmuch as there was no third party complaint to which he could respond, much less any service of a third party complaint. Thus, under *Silva*, there was no "opportunity" for petitioner to waive the defense of lack of personal jurisdiction under Fed. R. Civ. P. 12(h). That being the case, many of the respondents' cited decisions, which found there to have been a waiver under Rule 12(h), are inapposite here. *See, United States v. Gluklick*, 801 F.2d 834 (6th Cir. 1986); *Alger v. Hayes*, 452 F.2d 841 (8th Cir. 1972); *Consolidated Rail Corp. v. Grand Trunk Western Railroad*, 592 F.Supp. 562 (E.D. Pa. 1984); *Coleman v. Kaye*, 871 F.3d 1491 (3rd Cir. 1996); *Nester v. Hershey*, 425 F.2d 504 (D.C. Cir. 1969); *Zelson v. Thomforde*, 412 F.2d 56 (3rd Cir. 1969); *Rowley v. McMillan*, 502 F.2d 1326 (4th Cir. 1974); *Pardazi v. Cullman Medical Center*, 896 F.2d 1313 (11th Cir. 1990); *O'Brien v. R.J. O'Brien & Associates, Inc.*, 998 F.2d 1394 (7th Cir. 1993); *Engineers Association v. Sperry Gyroscope Co.*, 251 F.2d 133 (2d Cir. 1957); *Carter v. Powell*, 104 F.2d 428 (5th Cir. 1957); and *Preferred RX, Inc. v. American Prescription Plan, Inc.*, 46 F.3d 535 (6th Cir. 1995).

Most of the remainder of the cases that respondents cite in Part IV of their Brief, although not specifically addressing Rule 12(h), held that a party could waive the defense of lack of jurisdiction by failing to assert it in the course of a ***pre-judgment*** appearance. The courts in those cases found that either: (1) there had been a waiver on account of the defendant's appearance and participation in the litigation on the merits ***prior to*** judgment; *Yeldell v. Tutt*, 913 F.2d 530 (8th Cir. 1990); *Barnstead Broadcasting Corp. v. Offshore Broadcasting Corp.*, 869 F.Supp. 35 (D. D.C. 1994); *Continental Bank, N.A. v. Meyer*, 10 F.3d 1293, 1297 (7th Cir. 1993); *T & R Enterprises, Inc. v. Continental Grain Co.*, 613 F.2d 1272 (5th Cir. 1980); *Trans World Airlines, Inc. v. Mattox*, 897 F.2d 773 (5th Cir. 1990); and *United States v. Gajewski*, 419 F.2d 1088 (8th Cir. 1969); or (2) the judgment against the defendant was void because, as in the instant case, there had been no pre-judgment appearance by the defendant; *Veeck v. Commodity Enterprises, Inc.*, 487 F.2d 423 (9th Cir. 1973). As with the Rule 12(h) cases, the aforementioned "waiver by appearance and participation before judgment" cases are inapposite to the instant cases in which it is undisputed that petitioner, ***prior to*** judgment, never appeared, and hence never waived, the defense of lack of personal jurisdiction. Because there was no pre-judgment waiver of the defense of lack of personal jurisdiction, the district court's decision must be reversed.



### B. Petitioner is not precluded from raising before this Court the district court's lack of jurisdiction over his person.

Respondents conclude their Brief with an argument that because, in the proceedings below, petitioner allegedly did not raise the lack of personal jurisdiction and due process issues, he is precluded from raising them before this Court. Respondents previously raised this same argument in opposition to the Petition for Writ of Certiorari,[3] which this Court granted notwithstanding that argument. As petitioner previously pointed out in his Reply Brief in support of the Petition for Writ of Certiorari, despite the fact that he never was afforded the opportunity to raise lack of due process as a defense, he did raise the issue of lack of notice – an issue that goes to the heart of due process. *See*, Brief on Appeal of Appellant at pp. 17-18; *see also*, Pet. App. at 35. In addition, petitioner, having been deprived of the opportunity to

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[3] *See*, Respondents Brief in Opposition to the Petition for Writ of Certiorari at 7-12.

raise *pre*-judgment motions, also filed with the district court a *post*-judgment motion under Fed. R. Civ. P. 60(b)(4), in which he unsuccessfully sought to set aside the judgment as void for lack of jurisdiction and as violative of due process. J.A. at 36. Accordingly, there is no basis to respondents' argument that petitioner did not raise the due process and lack of personal jurisdiction issues below.

Even assuming *arguendo*, that petitioner did not raise the jurisdictional and due process arguments below, there is no basis to respondents' argument that he may not raise them before this Court. Respondents' argument on this issue is based upon a long-standing rule of this Court that, absent certain exceptions (discussed *infra*), this Court will not consider errors not addressed by the court below. *See, Duignan v. United States*, 274 U.S. 195, 200 (1927).

Petitioner must first point out that there are other rules that apply with equal force to this case – the Federal Rules of Civil Procedure. Those rules required respondents, once they obtained leave to amend their third party complaint, to: (1) first file with the court an amended third party complaint; *see*, Fed. R. Civ. P. 7, 14 and 15; and (2) serve the amended third party complaint upon petitioner; *see*, Fed. R. Civ. P. 4. Such was the only means by which they could lawfully join petitioner as a party and commence legal proceedings against him. Regrettably, respondents simply disregarded these elementary requirements for the commencement of an action and proceeded directly to judgment against the petitioner. In short, respondents' failure to follow these simple, elementary rules was deliberate, unexcused and unconscionable and left petitioner in the unenviable position of trying to figure out how to challenge a lawsuit, and a judgment against him arising therefrom, that had been commenced in a totally unlawful and improper manner. Left in this procedural quandary, which was entirely the result of respondents' own wrongdoing, and not having had available to him a Rule 12 motion (the



only means by which he could have challenged the district court's lack of personal jurisdiction), petitioner, on appeal to the Federal Circuit, understandably focused on the clear lack of merits to the judgment (as set forth in Part I above) rather than on its jurisdictional deficiencies.

Now, after having deliberately and unconscionably violated the Federal Rules of Civil Procedure, respondents seek to benefit from their wrongdoing by arguing that petitioner, by having focused on the merits of the judgment against him, has waived his right to challenge before this Court the district court's exercise of jurisdiction over his person. To the extent that petitioner failed to present an argument below (an argument that he had no meaningful opportunity to present anyway), this Court has recognized exceptions to the rule that a party is precluded from raising issues not raised below. First, the rule only applies to errors that are "not of a fundamental or jurisdictional character," *Magruder v. Drury*, 235 U.S. 106, 113 (1914), *Grant Brothers v. United States*, 242 U.S. 647, 660 (1914), and to errors not "essential to the foundation of the action," *Gila Valley Railway v. Hall*, 232 U.S. 94, 98 (1914), *Old Jordan Mining Co. v. Société a Anonyme Des Moines*, 164 U.S. 261, 264 (1886). The error in the instant case (rendering judgment against a non-party without the opportunity to be heard) is, without question, jurisdictional, and, because of its due process implications, clearly is fundamental in character. *See, Zenith Corp.*, 395 U.S. at 110. Inasmuch as the district court's errors are of a jurisdictional and fundamental character, there is no basis to respondents' claim that petitioner has waived his right to challenge those errors before this Court.

Second, this Court has consistently held that it "may notice a plain error not assigned" in the court below. *Youakim v. Miller*, 425 U.S. 231, 234 (1976); *Rogers v. United States*, 422 U.S. 35, 41 (1975); *Ana Maria Sugar*, 254 U.S. 245, 251 (1920); *United States v. Tennessee & Coosa Railroad Co.*, 176 U.S. 242, 256 (1900). *See also, Heckler v. Campbell*, 461 U.S. 458, 468-69, n. 12 (1983) and *Duignan*, 274 U.S. at 200, both of which respondents cite in their Brief and

both of which noted that in "exceptional cases" this Court will consider errors not raised below. In the instant case, when respondents set about to deliberately disregard the Federal Rules of Civil Procedure, they left a trap for the unwary, a trap that was set to spring upon petitioner in the event that he should fail to assert an argument, which he never was given a proper opportunity (under Rule 12) to assert in the first place. Given the exceptional circumstances – respondents' deliberate disregard for the rules of procedure – and the plain nature of the error – the rendering of judgment against a non-party without notice and an opportunity to be heard, this case clearly falls within the exception to the rule that arguments not raised below will not be heard before this Court. Because the district court clearly committed plain error, its decision should be reversed.

## CONCLUSION

For the reasons stated in Part I, the judgment of the district court should be reversed and respondents' claims for attorneys' fees against petitioner should be dismissed with prejudice. For the reasons stated in Parts II and III, the judgment of the district court should be reversed and the cause remanded for proceedings in accordance with the Federal Rules of Civil Procedure and the Fifth Amendment to the United States Constitution.

Respectfully submitted,

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